

To the Members of the Senate Finance Committee Working Group on Individual Tax Reform

On behalf of the Association of Americans Resident Overseas (AARO) and the Federation of American Women's Clubs Overseas (FAWCO), I thank the members of the Senate Finance Committee who have called for public comment as they begin to formulate tax reforms. Our associations represent the many Americans living and working outside the United States, most recently *estimated by the State Department at 8 million, equal to the 13th state in terms of population*.

In view of extensive media coverage, repeated visits to Washington by our representatives, and ongoing communication with their constituents abroad, the Members of this Committee are fully aware of most of the problems facing U.S. taxpayers filers abroad, and I will not repeat them here.

Our organizations have *some 14,000 members living in 46 countries* around the world. The vast majority are law-abiding citizens who dutifully file income tax declarations in their host countries; they do not belong to the famous "1%" and, for the most part, are not wealthy enough to consider hiding money in "foreign tax havens". Thanks essentially to the media and efforts of organizations like ours, they also know that they are responsible for reporting their income to the IRS and filing certain financial reports with Treasury and the IRS (I say "thanks to our efforts" because, following years of budget cuts, the IRS, once seriously understaffed abroad, is now closing its last offices abroad and will be even more severely handicapped in offering service to overseas taxpayers).

Our members report that their accounts abroad are being closed by banks unwilling to shoulder the extra FATCA reporting burden and/or risk the 30% withholding penalty; their costs for professional tax preparer assistance have skyrocketed because of added reporting requirements; their marriages are threatened because non-American spouses resent the obligation to report to a foreign institution; partnerships are being terminated for the same reason; non-profits and businesses are turning to local rather than American leadership for the same reason. *To alleviate their FATCA reporting burden, raise compliance, and make Americans less undesirable as banking customers, business leaders and joint account holders, I respectfully recommend:*

- 1) *Restoring funding to the IRS* to enable, at the very least, *efficient worldwide Virtual Service Delivery* to assist overseas filers:
- 2) *FATCA: exempting individuals from reporting (Form 8938) of all accounts held in the country of bona fide tax residence; or at least, alleviating the burden on those with non-American spouses* (and easing tensions in their marriages) *by applying to them the same rule for reporting jointly-held assets as applies to those with American spouses filing separately, i.e. one-half of the value of the asset; facilitating reporting by requiring only end-of-year balances* (as maximum values are difficult to determine in many foreign banking systems); with respect to foreign financial institutions, *alleviating their reporting burden by requiring only information on their clients' income, not bank account balances.*

Lucy Stensland Laederich, AARO President and FAWCO U.S. Liaison (April 14, 2015)

(Attached is the relevant position paper our two organizations took to Washington in March of this year.)